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Report on implementation of the "modified system for allocation of regular resources for programmes" approved by the Executive Board in 1997**

Summary

In its decision 2003/13, the Executive Board requested the secretariat to continue to review the "modified system for allocation of regular resources for programmes", approved by the Executive Board in 1997 and implemented in 1999, and to explore ways to contribute to the sustainability of the progress achieved, especially within the context of the medium-term strategic plan (MTSP).

This report informs the Board on lessons learned since 2003, proposes modifications to the current system for allocation of regular resources, and contains a draft recommendation for Executive Board approval.

* E/ICEF/2008/16.

** Submission of this document was delayed because of the need for internal consultation.

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I. Purpose

1. The present report informs the Executive Board of the progress and lessons learned since 2003 (E/ICEF/2003/P/L.21) in the application of the current regular resource (RR) allocation system approved by the Executive Board in 1997 (E/ICEF/1997/P/L.17) and implemented in 1999. It requests the Board to approve modifications to the current system in order to further strengthen and maintain UNICEF roles in:

(a) Enhancing national capacities to attain and monitor the rights of children;

(b) Promoting international standards affecting children;

(c) Providing impartial advisory support, based on international experience, technical expertise and good practice;

(d) Supporting countries of different per capita income levels in addressing disparities and other common issues affecting children, such as violence and marginalization.

II. Features of the current RR allocation system

2. The current RR allocation system was adopted to:

(a) Give progressively higher priority to the children in low-income countries, in particular least developed countries (60 per cent of RR) and those of sub-Saharan Africa (50 per cent of RR);

(b) Enable UNICEF to continue to fulfil its mandate as the United Nations lead agency for children, advocating and protecting children's rights, and ensuring high-quality policy and guidance;

(c) Ensure the allocation of regular resources sufficient to strengthen the effective implementation of programmes in the respective countries; and

(d) Accommodate evolving needs and special circumstances of children through an appropriate degree of flexibility.

3. In order to expedite progress towards the sustainable achievement of the above key objectives, the Executive Board in 1997 decided that the main features of the allocation system should be the following:

(a) At least two thirds of RR for programmes will be allocated on the basis of three core criteria: under-five mortality rate (U5MR); gross national product (GNP) per capita; and child population;

(b) Each country with a UNICEF-supported country programme shall receive an allocation on the basis of the three core criteria and the refined weighting system shown in Annex I of document E/ICEF/1997/P/L.17;

(c) Each country with a UNICEF-supported country programme shall receive a minimum allocation of $600,000 for core programming. This amount will be maintained when regular resources levels increase or remain constant;

(d) The minimum allocation will be used exclusively for programme assistance;

(e) None of the least developed countries (LDCs) is to receive an allocation below its calculated level under the then current system;

(f) Abrupt changes in country allocations shall be avoided by limiting them to a maximum of 10 per cent, compared to the previous year's level, whenever there is a significant reduction;

(g) Countries that reach the combined threshold of a GNP per capita above $2,895 and a U5MR of less than 30 deaths per 1,000 live births shall gradually be phased out of the allocation of regular resources for programme assistance;

(h) Countries covered by the three multi-country programmes (Eastern Caribbean; Pacific Islands; and Area Programme for Palestinian children and women) shall continue to receive a combined lump sum sufficient for viable and effective programmes;

(i) Seven per cent of the annual RR for programmes should be set aside for flexible allocation by the Executive Director in support of country programmes to, inter alia:

(i) Encourage excellence in the quality of performance in one or more of the areas of work and priorities of UNICEF;

(ii) Provide flexibility to respond to emerging opportunities;

(iii) Avoid sudden changes in the level of RR allocation to individual countries.

III. Report on implementation

4. The implementation period 1999–2003 was reported on in Executive Board document E/ICEF/2003/P/L.21. Since the publication of that report, the major results and developments arising from implementation of the modified allocation system include the following:

(a) The level of regular resources available for allocation to country programmes has increased, from $346 million in 2004 to $631 million in 2008.

(b) Progressively higher allocations were made, in absolute and proportional terms, to the children of low-income countries, in particular those in the LDCs and sub-Saharan Africa.

(c) The target allocation of 50 per cent of RR to sub-Saharan African countries was reached in 2004. The target allocation of 60 per cent of regular resources to LDCs was reached in 2007. Annex 1 shows the evolution of allocations related to these targets over the past five years.

(d) The allocation system reflects a rights-based approach, and has ensured the continued ability of UNICEF to advocate children's rights while targeting RR to the neediest and most disadvantaged children. This is evidenced by a rapid increase in the amount of regular resources allocated to LDCs and sub-Saharan African countries and by the maintenance of UNICEF cooperation through regular resources with some 147 countries, including through three multi-country programmes.

(e) The use of the 7 per cent of regular resources set-aside has provided flexibility for both responding to opportunities for children and encouraging

programme excellence with respect to the focus areas of the MTSP 2006–2009. This flexibility has supported, inter alia:

(i) Evidence-based analysis as a contribution to national policy formulation, supported by improved data collection;

(ii) Better integration of the delivery of essential services, critical service interventions and measures for the protection of children;

(iii) More effective partnerships, which have helped to leverage results for children;

(iv) Effective preparedness for emergencies and response to post-crisis transition and to new developments, such as the rapid rise in food prices;

(v) Innovative programming, often leading to scale-up by national authorities;

(f) The allocation of regular resources over and above the minimum allocation of $600,000 available for country programmes, based on the three core criteria. The core criteria have favoured countries with high under-five mortality rates and low-income countries with high child populations. At the same time, any year-to-year decreases in country allocations have been limited, to prevent abrupt changes and disruptions of ongoing programmes.

IV. Links with the medium-term strategic plan 2006-2009

5. The MTSP 2006–2009 focuses the capacities of UNICEF and organizes its priorities to make a difference for children: supporting national and international efforts to implement the Millennium Declaration, achieve the Millennium Development Goals, and fulfil commitments for children, particularly those under the Convention on the Rights of the Child. UNICEF focuses in its work on partnerships and the achievement of results in the five MTSP focus areas: young child survival and development; basic education and gender equality; HIV/AIDS and children; child protection from violence, exploitation and abuse; and policy advocacy and partnerships for children's rights.

6. Regular resources are the foundation of UNICEF country programmes of cooperation. They enable UNICEF to support countries in delivering critical assistance to children and building national and local capacities to achieve and sustain results for children and their families. The MTSP underscores the importance of achieving results for and with children, using a human rights-based approach to advocacy and programming. The modified RR allocation system gives priority in UNICEF assistance to countries in which the rights of children are most at risk, as evidenced by high child mortality rates, low per capita incomes and the number of children in need.

V. Lessons learned and proposed changes

7. In line with the Executive Board decisions, UNICEF continues to review the situation of the countries near or at the established "graduation" level, where regular resource assistance would cease, as well as the level and types of engagement required for children in these countries. The present MTSP envisages a shift in the work of UNICEF: (a) towards supporting the development of national capacities for the achievement and monitoring of children's rights and related development goals and (b) towards supporting national efforts to formulate and strengthen national policies for children and women. During this MTSP period, concerns have increased regarding the extent of disparities in development indicators and their implications for children, in both LDCs and middle-income countries. It is also increasingly evident that many of the most common factors that threaten children's rights and create vulnerabilities among children, such as violence, marginalization and effects of migration, are not confined to low-income countries and regions alone.

8. The UNICEF mandate, its mission statement (E/ICEF/1996/AB/L.2 and decision 1996/1) and the MTSP emphasize the organization's normative role in supporting countries in their efforts to secure the rights of children (particularly in conformity with the Convention on the Rights of the Child), including the universal imperatives of supporting child survival, protection and development. UNICEF continues to have significant comparative advantages in convening partners for children, catalyzing analysis and action and facilitating dialogue across sectors on the multiple issues affecting children. Greater efforts need to be made to ensure effective intercountry learning from experience and development of the best available international practices for promoting children's rights and related goals. These factors underline the importance of UNICEF continuing cooperation in countries that are attaining middle-income status.

9. Based on these considerations and the continuing review of the implementation of the regular resource allocation system, it is proposed to adopt the international "high income country" threshold ($11,456 gross national income [GNI] per capita in 2007) as the graduation point for allocation of regular resources for country programmes, instead of the upper limit for lower middle-income countries ($3,705 GNI per capita in 2007). A minimum level of $600,000 would be allocated for UNICEF programme cooperation in all upper middle-income countries (GNI per capita range of $3,706 to $11,455 in 2007). Countries would become ineligible for allocations of regular resources if they maintain "high income country" status for two years in a row after achieving such status. In order to simplify the graduation threshold, the U5MR will not be used as a criterion in graduation from the allocation of regular resources.

10. The GNI per capita thresholds will be adjusted annually, as necessary, to remain consistent with the latest World Bank estimates.

11. The estimated country levels of U5MR will continue to be used as a factor in the regular resource allocation formula that determines the calculated share of each country beyond the minimum of $600,000, where applicable. In order to encourage the further reduction of U5MR worldwide, a "positive" weighting will continue to be applied in all countries for the U5MR.

12. These modifications to the system would: allow regular resource allocations for UNICEF country programme cooperation to follow internationally accepted

norms, with regular revisions as necessary; enable UNICEF to continue to assist countries in their efforts to monitor the situation of children and women (and highlight disparities in their status); support the organization's role in strengthening national capacities to realize the provisions of the Convention on the Rights of the Child and the various child-related targets of the Millennium Development Goals; assist in the development of lessons for future approaches to cooperation; and facilitate an extension of the transition period of programme cooperation with many countries, ensuring a smooth evolution of UNICEF engagement and presence.

13. In 2008, allocations for cooperation in upper middle-income countries amounted to 2 per cent of total RR allocations, or $13.9 million (see Annex 2). Innovative and effective options for cooperation modalities to further benefit the children of such countries will be pursued by the secretariat.

14. The secretariat will continue to monitor and review the implications for children of the implementation of the regular resource allocation system, including these modifications, and to advise the Executive Board of any issues arising from this ongoing review.

VI. Draft decision

15. Based on the implementation plan and the results achieved with the modified system for allocation of regular resources for programmes, it is recommended that the Executive Board adopt the following draft decision:

The Executive Board,

1. *Takes note* of the report on implementation of the "modified system for allocation of regular resources for programmes", as contained in document E/ICEF/2008/20, and endorses it;

2. *Decides* to maintain the system for allocation of regular resources for programmes of cooperation as endorsed by the Executive Board in its decision 1997/18, with the following modifications:

(a) Allocations of UNICEF regular resources for country programme cooperation, except for countries included in multi-country programmes, will continue until a country achieves "high income" status (based on World Bank current data and definitions) and maintains such status for two consecutive years after achieving it;

(b) UNICEF will continue to allocate a minimum annual level of at least $600,000 for programme cooperation for countries in the "upper middle-income" country category (based on World Bank current data and definitions), except in those countries otherwise included in the multi-country programmes;

3. *Requests* that progress and developments in the implementation of the regular resource allocation system continue to be monitored and reviewed, and looks forward to a report on implementation thereof at its second regular session of 2012.

Annex 1: Achievement of regular resources (RR) allocation targets

Figure 1: Approved allocation of regular resources (RR) by country grouping, 2004-2008

	2004	2005	2006	2007	2008
LDCs	53	57	57	61	65
SSA	52	54	54	55	62

•LDCs – Least developed countries
•SSA – Sub-Saharan Africa

Annex 2: Allocation of share of regular resources for programmes directly available for country levels, by region and country groupings

	Regular Resources 2004 (In millions of US$)	*Regular Resources 2004 (%)*	*Regular Resources 2008 (In millions of US$)*	*Regular Resources 2008 (%)*
RR programmable amount available	**392.50**	**100**	**728.57**	**100**
Of which (by region):				
Eastern and Southern Africa and West and Central Africa	174.84	51	385.33	61
Asia	111.55	32	169.20	27
Central and Eastern Europe and the Commonwealth of Independent States	16.72	5	18.36	3
Americas and the Caribbean	17.15	5	17.72	3
Middle East and North Africa	20.76	6	27.86	4
Multi-country fixed allocations	6.11	2	12.70	2
Share allocated directly to country level	**346.13**	**88**	**631.17**	**87**
Funds set-aside for flexibility	26.38	7	50.02	7
Emergency Programme Fund	5.00	1	30.00	4
Private Fundraising and Partnerships	2.50	1	3.00	0
Advocacy and programme development for headquarters and regional offices	12.50	3	14.38	2
Total RR programmable	**392.51**	**100**	**728.57**	**100**
Of which (by country grouping):				
Least developed countries	185.10	53	412.23	65
Sub-Saharan African countries	180.52	52	394.57	62
Low-income countries	285.53	82	536.44	85
Lower middle-income countries	54.61	16	80.79	13
Upper middle-income countries	6.18	2	13.94	2